

Anchorage Independent School District FY

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

ANNUAL REPORT

JUNE 30, 2017

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	4 – 7
Management's Discussion and Analysis	8 – 11
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
Fund Financial Statements (Continued):	
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23 – 46
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	49
Schedules of Proportionate Share of Net Pension Liability	50
Schedules of District Contributions	51

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED):	
Notes to Required Supplementary Information	52
SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	54
Combining Statements of Revenues, Expenditures And Changes in Fund Balances - Nonmajor Governmental Funds	55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	56 – 58
Schedule of Prior Year Findings	59
Management Letter Comments	60 -61
ADDITIONAL INFORMATION:	
Balance Sheet – School Activity Fund	64
Statement of Revenue, Expenditures and Changes in Fund Balance – School Activity Fund	65



Chestnut Centre
410 West Chestnut Street STE. 237
Louisville, KY 40202-2342

(502) 583-5381
(800) 456-7531
FAX (502) 582-2516

INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anchorage Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

Auditor's Responsibility (continued)

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Anchorage Independent School District as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 8 through 11 and pages 48 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

Other Matters (continued)

Required Supplementary Information (continued)

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express any opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and additional information are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards , we have also issued our report dated October 16, 2017, on our consideration of the Anchorage Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering Anchorage Independent School District's internal control over financial reporting and compliance. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

Amick & Company

Louisville, Kentucky
October 16, 2017

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
ANCHORAGE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2017

As management of the Anchorage Independent School District "the District", we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- λ The beginning cash balance for all funds of the District was \$ 3,207,182 and the ending balance was \$ 3,504,367, an increase of \$297,185.
- λ The General Fund had \$ 7,114,358 in revenue, which primarily consisted of property tax, motor vehicle, occupational license taxes and SEEK (State Funding). Excluding inter-fund transfer, there were \$ 6,952,342 in General Fund expenditures. This includes on-behalf payments of \$1,178,794.
- λ The District's bonded debt decreased by \$ 229,337. The district will be debt free in FY 2018 - 2019 after making its final bond payment of \$10,719.
- λ The District remains committed to considering teacher salaries as an important part of the overall budget. The pay increase for FY 2016-2017 was 1% for all staff.
- λ The District continues to be dedicated to maintaining its historic facility. This year we:
 - Replaced 180 exterior windows
 - Rerouted a sewer line
 - Preformed and retiled 2 classrooms
 - Replaced two HVAC split systems
 - Replaced commercial dishwasher in school cafeteria
 - Replaced stucco on exterior wall of the large gym and in window wells in the front of the school
 - Replaced two interior and one exterior water fountains
 - Continued repairing roof system on the original part of the school
 - Added new areas to the existing playground and gaga pit
- λ The District continued to make investments in technology that will educate students to become strong problem solvers, critical thinkers, excellent communicators, and community contributors. There were many purchases to support students utilizing technology, however major purchases included:
 - Classroom set of technology lab furniture that can easily be reconfigured on the fly to support student collaboration
 - Twenty-four laptops to be utilized in the library hallway computer lab
 - Hallway monitor displays to provide student a means to display their work
 - Chromebooks for all sixth through eighth grade students with cost being offset by middle school technology fees approved by the Board
- λ Our generous APTA started construction on an amazing outdoor classroom, which will be located between the school and the District Administration building.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The District-wide financial statements can be found on pages 12 and 13.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our day care program and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14 and 16.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23 through 46.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,098,763 as of June 30, 2017.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, technology and general equipment), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

	<u>For the year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Current Assets	\$ 3,651,368	\$ 3,362,657
Non-current Assets	4,705,840	4,766,086
Deferred outflow of resources	<u>250,083</u>	<u>170,694</u>
Total Assets	\$ <u>8,607,291</u>	\$ <u>8,299,437</u>
Current Liabilities	\$ 574,475	\$ 423,868
Non-current Liabilities	1,867,586	1,685,474
Deferred inflow of resources	<u>66,467</u>	<u>108,224</u>
Total Liabilities	<u>2,508,528</u>	<u>2,217,566</u>
Net Position		
Investment in capital assets (net of debt)	4,312,647	4,327,830
Restricted – Nonexpendable	(119,436)	(130,699)
Unreserved Fund Balance	<u>1,905,552</u>	<u>1,884,740</u>
Total Net Position	<u>6,098,763</u>	<u>6,081,871</u>
Total Liabilities and Net Position	\$ <u>8,607,291</u>	\$ <u>8,229,437</u>

Comments on Budget Comparisons

- λ The District's total General Fund revenues for the fiscal year ended June 30, 2017, net of on-behalf payments were \$5,785,226.
- λ General fund budget compared to actual revenue (net of on-behalf payments) varied from line item to line item with the ending actual balance being \$ 70,634 more than budgeted.
- λ General fund budget expenditures to actual expenditures (net of on-behalf payments) varied from line item to line item with the actual balance being \$ 3,031,595 less than budgeted.
- λ Revenues exceeded expenditures with the actual balance being \$ 11,678 for a favorable result .

The following table presents a summary of General Fund revenue and expense.

	<u>For the year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Local revenue sources	\$ 5,141,089	\$ 5,107,836
State revenue sources	1,801,061	1,786,568
Earnings on investments	<u>21,869</u>	<u>18,779</u>
Total Revenues	\$ <u>6,964,019</u>	\$ <u>6,913,183</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	<u>2017</u>	<u>2016</u>
Expenses:		
Instruction	\$ 3,331,967	\$ 3,163,794
Student support services	163,504	184,529
Instructional support	890,812	924,946
District administration	438,220	345,999
School administration	395,455	391,797
Business support	718,991	649,191
Plant operations	1,013,392	695,965
Transfers	<u>-0-</u>	<u>2,323</u>
Total Expenses	\$ <u>6,952,341</u>	\$ <u>6,358,544</u>
Revenue in Excess of Expenditures	\$ <u>11,678</u>	\$ <u>554,639</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district over all budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$475,297 in contingency. The beginning cash balance for the next fiscal year is \$ 3,468,164.

Many of the program grants are continuation programs that we have become reliant on to service our students. However, decreases in grants and state funding along with the added burden of health insurance costs and matching retirement for employees have significantly reduced the dollars available for teacher salaries and other program support.

Questions regarding this report should be directed to Kelley Ransdell, Superintendent, Kelley.Ransdell@Anchorage.kyschools.us or to Jonathan Travis, Finance Officer, Jon.Travis@Anchorage.kyschools.us or by phone at 502-245-8927 or by mail at 11400 Ridge Road, Anchorage, KY 40223.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,468,164	\$ 36,203	\$ 3,504,367
Accounts receivable			
Taxes - current	100,155	-	100,155
Taxes - prior years	-	-	-
Other	33,332	10,090	43,422
Inventories	<u>-</u>	<u>3,424</u>	<u>3,424</u>
Total Current Assets	<u>3,601,651</u>	<u>49,717</u>	<u>3,651,368</u>
CAPITAL ASSETS			
Capital assets	9,875,187	58,996	9,934,183
Less accumulated depreciation	<u>(5,175,390)</u>	<u>(52,953)</u>	<u>(5,228,343)</u>
Total Capital Assets	<u>4,699,797</u>	<u>6,043</u>	<u>4,705,840</u>
TOTAL ASSETS	<u>\$ 8,301,448</u>	<u>\$ 55,760</u>	<u>\$ 8,357,208</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of resources - CERS	\$ 210,332	\$ 26,315	\$ 236,647
Debt refunding costs, net	<u>13,436</u>	<u>-</u>	<u>13,436</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>\$ 223,768</u>	<u>\$ 26,315</u>	<u>\$ 250,083</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 345,785	\$ 879	\$ 346,664
Current portion of bonds payable	227,811	-	227,811
Current portion of accrued sick leave	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>573,596</u>	<u>879</u>	<u>574,475</u>
NONCURRENT LIABILITIES			
Bonds payable	165,382	-	165,382
Noncurrent portion of accrued sick leave	138,563	-	138,563
Net pension liability - CERS	<u>1,389,764</u>	<u>173,877</u>	<u>1,563,641</u>
Total Noncurrent Liabilities	<u>1,693,709</u>	<u>173,877</u>	<u>1,867,586</u>
TOTAL LIABILITIES	<u>\$ 2,267,305</u>	<u>\$ 174,756</u>	<u>\$ 2,442,061</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows of resources - CERS	\$ 50,447	\$ 6,312	\$ 56,759
Deferred grant revenue	<u>9,708</u>	<u>-</u>	<u>9,708</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>\$ 60,155</u>	<u>\$ 6,312</u>	<u>\$ 66,467</u>
NET POSITION			
Investment in capital assets, net of related debt	\$ 4,306,604	\$ 6,043	\$ 4,312,647
Restricted - Nonexpendable	-	(119,436)	(119,436)
Unrestricted	<u>1,891,152</u>	<u>14,400</u>	<u>1,905,552</u>
TOTAL NET POSITION	<u>\$ 6,197,756</u>	<u>\$ (98,993)</u>	<u>\$ 6,098,763</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Activities

District Wide

For the year ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 3,747,029	\$ -	\$ 223,512	\$ 50,373	\$ (3,473,144)	\$ -	\$ (3,473,144)
Support Services:							
Student	163,504	84,334	-	-	(79,170)	-	(79,170)
Instruction staff	904,121	-	-	-	(904,121)	-	(904,121)
District Administrative	438,220	-	-	-	(438,220)	-	(438,220)
School Administrative	395,455	-	-	-	(395,455)	-	(395,455)
Business	718,991	-	-	-	(718,991)	-	(718,991)
Plant operation and maintenance	801,885	-	-	-	(801,885)	-	(801,885)
Interest on long-term debt	13,844	-	-	-	(13,844)	-	(13,844)
Depreciation and amortization	289,940	-	-	-	(289,940)	-	(289,940)
Total Governmental Activities	<u>7,472,989</u>	<u>84,334</u>	<u>223,512</u>	<u>50,373</u>	<u>(7,114,770)</u>	<u>-</u>	<u>(7,114,770)</u>
Business-type Activities							
Food service	237,805	202,806	20,299	-	-	(14,700)	(14,700)
Day care	1,893	3,905	-	-	-	2,012	2,012
Total Business-type Activities	<u>239,698</u>	<u>206,711</u>	<u>20,299</u>	<u>-</u>	<u>-</u>	<u>(12,688)</u>	<u>(12,688)</u>
Total School District	<u>\$ 7,712,687</u>	<u>\$ 291,045</u>	<u>\$ 243,811</u>	<u>\$ 50,373</u>	<u>\$ (7,114,770)</u>	<u>\$ (12,688)</u>	<u>\$ (7,127,458)</u>
General Revenues							
Property taxes					\$ 4,151,593	\$ -	\$ 4,151,593
Delinquent property tax					100,148	-	100,148
Motor vehicle taxes					246,466	-	246,466
Occupational taxes					706,503	-	706,503
Investment earnings					21,980	202	22,182
State and formula grants					1,835,569	37,334	1,872,903
Miscellaneous					46,875	-	46,875
Loss on sale of assets					(2,321)	-	(2,321)
Transfers					-	-	-
Total General Revenues and Transfers					<u>7,106,813</u>	<u>37,536</u>	<u>7,144,349</u>
Change in Net Position					(7,957)	24,848	16,891
Net Position - Beginning					<u>6,205,713</u>	<u>(123,841)</u>	<u>6,081,872</u>
Net Position - Ending					<u>\$ 6,197,756</u>	<u>\$ (98,993)</u>	<u>\$ 6,098,763</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 3,444,183	\$ 23,981	\$ -	\$ 3,468,164
Accounts receivable				
Taxes - current	100,155	-	-	100,155
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	-	28,457	-	28,457
Other	-	4,875	-	4,875
TOTAL ASSETS	\$ 3,544,338	\$ 57,313	\$ -	\$ 3,601,651
LIABILITIES				
Accounts payable	\$ 298,180	\$ 47,605	\$ -	\$ 345,785
Deferred revenue	-	9,708	-	9,708
Total Liabilities	298,180	57,313	-	355,493
FUND BALANCES				
Unassigned	3,246,158	-	-	3,246,158
Total Fund Balances	3,246,158	-	-	3,246,158
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,544,338	\$ 57,313	\$ -	\$ 3,601,651

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position
June 30, 2017

Total fund balance per fund financial statements		\$ 3,246,158
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		
Total cost of capital assets	9,875,187	
Accumulated depreciation	<u>(5,175,390)</u>	4,699,797
Certain other assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but are reported in the statement of net position.		
Bond Issuance costs		13,436
Governmental funds do not record deferred outflows of resources for pension contribution after the measurement date but those are reported on the statement of net position as deferred outflows of resources		
		210,332
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
Bonds payable	(393,193)	
Long term portion of accrued sick leave	(138,563)	
Net pension liability - CERS	<u>(1,389,764)</u>	(1,921,520)
Governmental funds do not record deferred inflows of resources for pension contribution after the measurement date but those are reported on the statement of net position as deferred inflows of resources		
		<u>(50,447)</u>
Net position for governmental activities		<u>\$ 6,197,756</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures And Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2017

	GENERAL <u>FUND</u>	SPECIAL REVENUE <u>FUNDS</u>	OTHER GOVERNMENTAL <u>FUNDS</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
REVENUES				
From local sources:				
Taxes:				
Property	\$ 4,056,911	\$ -	\$ 194,830	\$ 4,251,741
Motor Vehicles	246,466	-	-	246,466
Occupational	706,503	-	-	706,503
Tuition and fees	-	-	-	-
Earnings on investments	21,869	111	-	21,980
Student activities	84,334	-	-	84,334
Other local revenues	46,875	50,373	-	97,248
Intergovernmental - State	1,801,061	106,587	34,507	1,942,155
Intergovernmental - Indirect Federal	-	116,925	-	116,925
TOTAL REVENUES	<u>6,964,019</u>	<u>273,996</u>	<u>229,337</u>	<u>7,467,352</u>
EXPENDITURES				
Current:				
Instruction	3,331,967	260,687	-	3,592,654
Support Services				
Student	163,504	-	-	163,504
Instructional staff	890,812	13,309	-	904,121
District administration	438,220	-	-	438,220
School administration	395,455	-	-	395,455
Business	718,991	-	-	718,991
Plant operations and maintenance	1,013,392	-	-	1,013,392
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	229,337	229,337
Other	-	-	10,662	10,662
TOTAL EXPENDITURES	<u>6,952,341</u>	<u>273,996</u>	<u>239,999</u>	<u>7,466,336</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>11,678</u>	<u>-</u>	<u>(10,662)</u>	<u>1,016</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	-	-	161,000	161,000
Operating transfers in	150,338	-	229,337	379,675
Operating transfers out	-	-	(379,675)	(379,675)
TOTAL OTHER FINANCING SOURCES (USES)	<u>150,338</u>	<u>-</u>	<u>10,662</u>	<u>161,000</u>
CHANGE IN FUND BALANCE ON STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	162,016	-	-	162,016
FUND BALANCE JULY 1, 2016	<u>3,084,142</u>	<u>-</u>	<u>-</u>	<u>3,084,142</u>
FUND BALANCE JUNE 30, 2017	<u>\$ 3,246,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,246,158</u>

Revised February 8, 2018

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
June 30, 2017

Net change in total fund balances per fund financial statements \$ 162,016

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Capital outlay	229,492	
Depreciation expense	(286,612)	
Bond amortization expense	<u>(3,328)</u>	(60,448)

In the statement of activities, the net gain (loss) on the sale/disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale of capital assets is recorded as a financial resource. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold or disposed of. (2,321)

The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net assets (161,000)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.

Principal on bond payments 215,493

Certain expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. 10,662

The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities. (93,584)

Certain increases (decreases) in noncash activities are reported as expenditures in the statement of activities because they may require the use of current financial resources

Accrued compensated absences (78,785)

Change in net position of governmental activities \$ (7,967)

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2017

	Food Service <u>Fund</u>	Summer <u>Programs</u>	Total Proprietary <u>Funds</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 21,473	\$ 14,730	\$ 36,203
Student fees receivable	10,090	-	10,090
Inventories	<u>3,424</u>	<u>-</u>	<u>3,424</u>
Total current assets	<u>34,987</u>	<u>14,730</u>	<u>49,717</u>
Noncurrent Assets			
Capital assets	58,996	-	58,996
Less: Accumulated depreciation	<u>(52,953)</u>	<u>-</u>	<u>(52,953)</u>
Total noncurrent assets	<u>6,043</u>	<u>-</u>	<u>6,043</u>
Deferred Outflows of Resources			
Deferred outflows of resources - CERS	<u>26,315</u>	<u>-</u>	<u>26,315</u>
Total noncurrent assets	<u>26,315</u>	<u>-</u>	<u>26,315</u>
Total assets	<u>\$ 67,345</u>	<u>\$ 14,730</u>	<u>\$ 82,075</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ 549	\$ 330	\$ 879
Net pension liability - CERS	<u>173,877</u>	<u>-</u>	<u>173,877</u>
Total liabilities	<u>\$ 174,426</u>	<u>\$ 330</u>	<u>\$ 174,756</u>
Deferred Inflow of Resources			
Deferred inflows of resources - CERS	<u>\$ 6,312</u>	<u>\$ -</u>	<u>\$ 6,312</u>
Total current liabilities	<u>\$ 6,312</u>	<u>\$ -</u>	<u>\$ 6,312</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 6,043	\$ -	\$ 6,043
Restricted - Nonexpendable	(119,436)	-	(119,436)
Unrestricted			
Unreserved	<u>-</u>	<u>14,400</u>	<u>14,400</u>
Total net position	<u>\$ (113,393)</u>	<u>\$ 14,400</u>	<u>\$ (98,993)</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Food Service <u>Fund</u>	Summer <u>Programs</u>	Total Proprietary <u>Funds</u>
Operating Revenues			
Food service sales	\$ 202,806	\$ -	\$ 202,806
Other operating revenues	<u>-</u>	<u>3,905</u>	<u>3,905</u>
Total operating revenues	<u>202,806</u>	<u>3,905</u>	<u>206,711</u>
Operating Expenses			
Salaries and wages	143,132	1,563	144,695
Professional and contract services	2,348	-	2,348
Supplies and materials	91,057	330	91,387
Depreciation	815	-	815
Other operating expenses	<u>453</u>	<u>-</u>	<u>453</u>
Total operating expenses	<u>237,805</u>	<u>1,893</u>	<u>239,698</u>
Operating income (loss)	<u>(34,999)</u>	<u>2,012</u>	<u>(32,987)</u>
Nonoperating revenues (expenses)			
Federal grants	19,058	-	19,058
State grants	1,241	-	1,241
State on-behalf payments	27,882	-	27,882
Donated commodities	9,452	-	9,452
Interest income	<u>202</u>	<u>-</u>	<u>202</u>
Total nonoperating revenues (expenses)	<u>57,835</u>	<u>-</u>	<u>57,835</u>
Net income (loss)	<u>22,836</u>	<u>2,012</u>	<u>24,848</u>
Total net position, July 1, 2016	(136,229)	12,388	(123,841)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total net position, June 30, 2017	<u>\$ (113,393)</u>	<u>\$ 14,400</u>	<u>\$ (98,993)</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Food Service <u>Fund</u>	Summer Programs <u>Programs</u>	Total Proprietary <u>Funds</u>
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 204,463	\$ -	\$ 204,463
Cash received from government grants	20,299	-	20,299
Cash received from other activities	-	3,905	3,905
Cash payments to employees for services	(119,266)	-	(119,266)
Cash payments to suppliers for goods and services	(83,772)	(1,563)	(85,335)
Cash payments for other operating activities	<u>(453)</u>	<u>-</u>	<u>(453)</u>
Net cash from operating activities	<u>21,271</u>	<u>2,342</u>	<u>23,613</u>
Cash Flows from Capital Financing Activities			
Capital contributions	-	-	-
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities			
Transfers in (out) to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest on investments	<u>202</u>	<u>-</u>	<u>202</u>
Net cash flows from investing activities	<u>202</u>	<u>-</u>	<u>202</u>
Net increase (decrease) in cash and cash equivalents	21,473	2,342	23,815
Cash and cash equivalents - beginning	<u>-</u>	<u>12,388</u>	<u>12,388</u>
Cash and cash equivalents - ending	<u>\$ 21,473</u>	<u>\$ 14,730</u>	<u>\$ 36,203</u>
Reconciliation of Net Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Net income (loss)	\$ 22,836	\$ 2,012	\$ 24,848
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities			
Depreciation	815	-	815
Interest	(202)	-	(202)
Changes in assets and liabilities:			
Accounts receivable	1,657	-	1,657
Inventory	(368)	-	(368)
Accounts payable	549	330	879
Net pension adjustment	<u>(4,016)</u>	<u>-</u>	<u>(4,016)</u>
Net Cash Provided by Operating Activities	<u>\$ 21,271</u>	<u>\$ 2,342</u>	<u>\$ 23,613</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Agency Funds
Statement of Fiduciary Net Position
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 45,934
Accounts receivable	<u>-</u>
Total Assets	<u>\$ 45,934</u>
 LIABILITIES	
Accounts payable	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>
 NET POSITION	
Held in trust for other purposes	<u>\$ 45,934</u>
Total Net Position	<u>\$ 45,934</u>

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

ADDITIONS

From local sources:

Contributions	\$ 841
Earnings on investments	<u>518</u>

TOTAL ADDITIONS	<u>1,359</u>
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DELETIONS

Current:

Salaries and related benefits	4,897
Purchased property services	50,000
Supplies	<u>1,569</u>

TOTAL DELETIONS	<u>56,466</u>
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CHANGE IN NET POSITION	(55,107)
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NET POSITION, JULY 1, 2016	<u>101,041</u>
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NET POSITION, JUNE 30, 2017.	<u>\$ 45,934</u>
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The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Anchorage Independent School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Anchorage Independent School District (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Anchorage Independent School District (District). The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools in the district. The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

B. Related Organizations

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Anchorage Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Related Organizations (Continued)

Anchorage Independent School District Finance Corporation - The Anchorage, Kentucky, Board of Education resolved to authorize the establishment of the Anchorage Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Anchorage Independent School District also comprise the Corporation's Board of Directors.

C. Basis of Presentation, Basis of Accounting

i. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The Construction Fund including Capital Projects Funds accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

The District reports the following major business-type funds:

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture ("USDA"). In-kind contributions of commodities from the USDA have been recorded in the Statement of Activities – Proprietary Fund in the amount of \$9,452.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

In addition, the District reports the following fund types:

Trust and Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which the principal and income benefit individuals, private organizations or other governments.

ii. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

ii. Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the district incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Encumbrance Accounting

Purchase orders or contracts document encumbrances for goods or purchased services. Under Kentucky law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

E. Financial Statement Amounts

i. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

ii. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting.

iii. Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended December 31, 2016, to finance the General Fund operations were \$.982 per \$100 valuation for real property, \$.982 per valuation for personal property and \$1.10 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2016 fiscal year was based was \$433,228,384.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

iv. Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government -wide financial statements. Donated assets are stated at fair value on the date donated. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	20
Buildings and improvements	25 - 50
Technology Equipment	5
General Equipment	10 - 20

The District does not possess any infrastructure.

v. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

vi. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business -type activities columns of the statements of net assets, except for the residual amounts due between governmental and business -type activities, which are presented as internal balances.

F. Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Amendments are reflected in the official minutes of the Board, and are not made after fiscal year-end as directed by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day -to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits :

At June 30, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest -bearing savings accounts included in temporary investments) was \$ 3,611,149 and the bank balance was \$4,140,669. The District's cash deposits at June 30, 2017, and during the year ended June 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 – Cash and cash equivalents that are insured or registered or securities held by the school district or by its agent in the school district's name.
- Category 2 – Cash and cash equivalents and investments that are uninsured or unregistered, with securities held by the counterpart's trust department or agent in the school district's name.
- Category 3 – Cash and cash equivalents and investments that are uninsured and unregistered with securities held by the counterpart or its trust department or agent but not in the school district's name.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deposits and Investments (Continued)

Cash Deposits (Continued) :

The school district's deposits and investments at June 30, 2017, are categorized as follows .

	Carrying Amount/ <u>Market Value</u>	Bank <u>Balance</u>	<u>Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
Demand Deposits:					
General checking	\$ 3,611,149	\$ 4,140,669	\$ 250,000	\$ -0-	\$ 3,361,149

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in the pooled cash. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest -earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	Retirements <u>Reclassifications</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in Progress	<u>-</u>	<u>211,498</u>	<u>-</u>	<u>211,498</u>
Total nondepreciable historical cost	<u>100</u>	<u>211,498</u>	<u>-</u>	<u>211,598</u>
Capital assets that are depreciated:				
Land improvements	314,537	-	-	314,537
Building and building improvements	8,735,424	-	-	8,735,424
Technology equipment	617,148	17,994	(54,323)	580,819
General equipment	<u>32,809</u>	<u>-</u>	<u>-</u>	<u>32,809</u>
Total depreciable historical cost	<u>9,699,918</u>	<u>17,994</u>	<u>(54,323)</u>	<u>9,663,589</u>
Less accumulated depreciation for:				
Land improvements	290,486	15,727	-	306,213
Building and building improvements	4,144,243	204,367	-	4,348,610
Technology equipment	475,409	65,811	(52,002)	489,218
General equipment	<u>30,642</u>	<u>707</u>	<u>-</u>	<u>31,349</u>
Total accumulated depreciation	<u>4,940,780</u>	<u>286,612</u>	<u>(52,002)</u>	<u>5,175,390</u>
Total depreciable historical cost, net	<u>4,759,138</u>	<u>(268,618)</u>	<u>(2,321)</u>	<u>4,488,199</u>
Governmental activities capital assets, net	<u>\$ 4,759,238</u>	<u>\$ (57,120)</u>	<u>\$ (2,321)</u>	<u>\$ 4,699,797</u>
Business-type activities:				
General equipment	\$ 58,996	\$ -	\$ -	\$ 58,996
Total depreciable historical cost	<u>58,996</u>	<u>-</u>	<u>-</u>	<u>58,996</u>
Less accumulated depreciation for:				
General equipment	<u>52,138</u>	<u>815</u>	<u>-</u>	<u>52,953</u>
Total accumulated depreciation	<u>52,138</u>	<u>815</u>	<u>-</u>	<u>52,953</u>
Business-type activities capital assets, net	<u>\$ 6,858</u>	<u>\$ (815)</u>	<u>\$ -</u>	<u>\$ 6,043</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 201,535
Student support services	19,219
Instructional staff support services	18,150
District administrative support	2,914
School administrative support	1,612
Business support services	206
Plant operation and management	42,975
Food service operation	<u>815</u>
	<u>\$ 287,426</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Anchorage Independent School District Finance Corporation (Corporation) aggregating \$1,742,239.

The original amount of the issue, issue dates and the interest rates of the bond issues are summarized below:

<u>ISSUE OF</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
2008 Refunding	\$ 1,335,000	2.2 % to 3.25%
Series 2009 KISTA	\$ 246,239	1.0% to 3.0 %
Series 2017	\$ 161,000	3.5 % to 4.25%

The District, through the General Fund, (including the SEEK Capital Outlay Fund and Building Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

On December 1, 2009, the District refinanced \$241,000 of KISTA bonds. The new bond issue (KISTA Series 2009R) is for a total of \$246,239. The difference in the amount refinanced and the amount of the bond issue is the cost of issuing the bonds.

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

On February 20, 2017, the District accepted an offer of assistance from the Kentucky School Facilities Construction Commission and approved the execution of a participation agreement. This resulted in the issuance \$161,000 of School Building Revenue Bonds dated June 1, 2017.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS (Continued)

YEAR	ANCHORAGE INDEPENDENT SCHOOL DISTRICT			SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	COMBINED
2018	\$ 221,811	\$ 6,990	\$ 228,801	\$ 6,000	\$ 5,959	\$ 240,760
2019	10,382	169	10,551	6,000	6,017	22,568
2020	-	-	-	6,000	5,808	11,808
2021	-	-	-	6,000	5,597	11,597
2022 and later	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,000</u>	<u>52,072</u>	<u>189,072</u>
	<u>\$ 232,193</u>	<u>\$ 7,159</u>	<u>\$ 239,352</u>	<u>\$ 161,000</u>	<u>\$ 75,453</u>	<u>\$ 475,805</u>

Bonded debt balances and activity for the year ended June 30, 2017, were as follows:

	BEGINNING <u>BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	ENDING <u>BALANCE</u>
Governmental Activities:				
Anchorage Independent School District	\$ 447,686	\$ -	\$(215,493)	\$ 232,193
School Construction Commission	<u>-</u>	<u>161,000</u>	<u>-</u>	<u>161,000</u>
Total Bonded Debt	<u>\$ 447,686</u>	<u>\$ 161,000</u>	<u>\$(215,493)</u>	<u>\$ 393,193</u>

NOTE 5. ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced Retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equals 87
	Reduced retirement	Not available

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (continued)

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participation employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

General Information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description - Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

1. Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2. Complete 27 years of Kentucky service.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (Continued)

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two percent (service prior to July 1, 1983) and two and one-half percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to two percent of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to two and a half percent of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from two and a half percent to three percent to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their 3 highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating 5 years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (Continued)

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post -employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding Policy - In order to fund the post -retirement healthcare benefit, 6% of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent is paid by member contributions and .75% from the Commonwealth appropriation and 2.25% from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 1,563,641
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>31,668,071</u>
	<u>\$ 33,231,712</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of that date.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (Continued)

The Board's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 3.176 percent.

For the year ended June 30, 2017, the Board recognized pension expense of \$ 179,782 related to CERS and \$ 2,579,899 related to KTRS. The Board also recognized revenue of \$ 2,579,899 for KTRS support provided by the Commonwealth.

At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,826	\$ - 0 -
Changes of assumptions	82,833	- 0 -
Net difference between projected and actual earnings on pension plan investments	146,998	- 0 -
Changes in proportion and differences between Board contributions and proportionate share of contributions	- 0 -	56,759
Board contributions subsequent to the Measurement date	- 0 -	- 0 -
	<u>\$ 236,647</u>	<u>\$ 56,759</u>

The \$236,647 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2018	11,351
2019	11,352
2020	11,352
2021	11,352
2022	11,352

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (Continued)

Actuarial assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.25%	3.50%
Projected salary	4.00%	4.0-8.2%
Investment rate of return net of investment expense and inflation	7.50%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP -2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long -term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long -term rate of return assumption including long -term historical data, estimates inherent in current market data, and a log -normal distribution analysis in which best -estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long -term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long -term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long -term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (Continued)

For KTRS, the long -term expected rate of return on pension investments was determined using a log -normal distribution analysis in which best -estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long -term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long term expected Real Rate of Return
U.S. Equities	45.0%	6.4%
Non U.S. Equities	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%

Discount rate - For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long -term assumed investment return of 7.75%. The long term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.88%. The projection flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit of current plan employees until the 2039 plan year. Therefore, the long -term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.82% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. RETIREMENT PLANS (Continued)

Sensitivity of CERS and KTRS proportionate shares of net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 -percentage - point lower or 1 -percentage -point higher than the current rate (I calculated the amounts in this schedule:

	1%Decrease	Current Discount Rate	1% increase
CERS	6.50%	7.50%	8.50%
Board's proportionate share of net pension liability	\$1,948,549	\$1,563,641	\$1,233,388
KTRS	3.98%	4.88%	5.88%
Board's proportionate share of net pension liability	\$ - 0 -	\$ - 0 -	\$ - 0 -

NOTE 7. COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 8. INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which included Worker's compensation insurance.

NOTE 9. INTERFUND TRANSFERS

Interfund transfer activity for the year ended June 30, 2017, is as follows:

<u>TYPE</u>	<u>FROM FUND</u>	<u>TO FUND</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
Operating	Capital Outlay	Debt Service	Bond Payment	\$ 34,507
Operating	Building	Debt Service	Bond Payment	\$194,830

NOTE 10. DEFICIT OPERATING / FUND BALANCES

There were no governmental funds with a current year deficit of revenue over expenditures or with a deficit fund balance

NOTE 11. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experienced modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

NOTE 13. ON-BEHALF PAYMENTS

For the year ended June 30, 2017, total payments of \$1, 206,676 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. On behalf payments are not budgeted items.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements (Continued)

NOTE 13. ON-BEHALF PAYMENTS (continued)

On-behalf payments for the year ended June 30, 2017 consisted of the following:

Health insurance	\$ 619,857
KTRS	521,071
HRA	18,812
Technology	39,118
Administrative fee	6,925
Life insurance	<u>893</u>
Total	<u>\$ 1,206,676</u>

The breakdown of on -behalf payments by fund is as follows:

General Fund	\$ 1,178,794
School Food Service	\$ 27,882

**REQUIRED
SUPPLEMENTARY
INFORMATION**

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
From local sources:				
Taxes:				
Property	\$ 4,044,093	\$ 4,113,544	\$ 4,056,911	\$ (56,633)
Motor vehicles	229,000	229,000	246,466	17,466
Occupational	605,000	605,000	706,503	101,503
Tuition and fees	-	-	-	-
Earnings on investments	17,500	17,500	21,869	4,369
Student activities	67,225	67,225	84,334	17,109
Other local revenues	60,000	60,000	46,875	(13,125)
Intergovernmental - State	659,262	622,323	622,268	(55)
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	<u>5,682,080</u>	<u>5,714,592</u>	<u>5,785,226</u>	<u>70,634</u>
EXPENDITURES				
Current:				
Instruction	3,359,188	3,435,603	2,684,745	(750,858)
Support Services				
Student	137,848	142,009	128,636	(13,373)
Instructional staff	724,816	751,815	718,516	(33,299)
District administration	319,844	326,762	393,803	67,041
School administration	322,534	329,797	311,858	(17,939)
Business	596,126	630,991	585,456	(45,535)
Plant operations and maintenance	2,228,434	2,712,869	950,534	(1,762,335)
Contingency	502,831	475,297	-	(475,297)
TOTAL EXPENDITURES	<u>8,191,621</u>	<u>8,805,143</u>	<u>5,773,548</u>	<u>(3,031,595)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(2,509,541)</u>	<u>(3,090,551)</u>	<u>11,678</u>	<u>3,102,229</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	150,338	150,338
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>150,338</u>	<u>150,338</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(2,509,541)</u>	<u>(3,090,551)</u>	<u>162,016</u>	<u>3,252,567</u>
FUND BALANCE JULY 1, 2016	<u>2,509,541</u>	<u>3,090,551</u>	<u>3,090,551</u>	<u>-</u>
FUND BALANCE JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,252,567</u>	<u>\$ 3,252,567</u>

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES
AND EXPENDITURES**

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments totaling \$1,178,794.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Special Revenue Fund

For the Year Ended June 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicles	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	-	-	111	111
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	52,174	52,174	50,373	(1,801)
Intergovernmental - State	75,958	75,248	106,587	31,339
Intergovernmental - Indirect Federal	116,895	113,646	116,925	3,279
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	<u>245,027</u>	<u>241,068</u>	<u>273,996</u>	<u>32,928</u>
EXPENDITURES				
Current:				
Instruction	232,706	228,931	260,687	31,756
Support Services				
Student	-	-	-	-
Instructional staff	12,321	12,137	13,309	1,172
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>245,027</u>	<u>241,068</u>	<u>273,996</u>	<u>32,928</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JULY 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2017

KTRS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	*	*	*	*	*	*	*
Commonwealth's proportionate share of the net pension liability	<u>\$ 31,668,071</u>	<u>\$ 26,218,184</u>	<u>\$ 22,706,135</u>	*	*	*	*	*	*	*
Total	<u>\$ 31,668,071</u>	<u>\$ 26,218,184</u>	<u>\$ 22,706,135</u>							
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	*	*	*	*	*	*	*

CERS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability	0.03176%	0.03241%	0.034942%	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 1,563,641	\$ 1,393,503	\$ 1,134,000	*	*	*	*	*	*	*
District's covered employee payroll	\$ 851,504	\$ 758,340	\$ 756,185	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered payroll	183.63%	183.76%	149.96%	*	*	*	*	*	*	*

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, fiscal year 2015 was the first year of implementation. Until a full 10-year trend is compiled, the District will report available information.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF DISTRICT CONTRIBUTIONS

LAST 10 YEARS

KTRS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 521,071	\$ 542,227	\$ 535,076	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>521,071</u>	<u>542,227</u>	<u>535,076</u>	*	*	*	*	*	*	*
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
District's covered employee payroll	\$ 3,203,034	\$ 3,220,343	\$ 3,318,570	*	*	*	*	*	*	*
Contributions as a percentage of covered. employee payroll	16.2680%	16.8376%	16.1237%	*	*	*	*	*	*	*

CERS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 179,782	\$ 130,775	\$ 151,425	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>179,782</u>	<u>130,775</u>	<u>151,425</u>	*	*	*	*	*	*	*
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
District's covered employee payroll	\$ 821,504	\$ 758,340	\$ 756,185	*	*	*	*	*	*	*
Contributions as a percentage of covered. employee payroll	21.8845%	17.2449%	20.0249%	*	*	*	*	*	*	*

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, fiscal year 2015 was the first year of implementation. Until a full 10-year trend is compiled, the District will report available information.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Notes to Required Supplementary Information

Change of benefit terms:

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Change of assumptions:

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- λ The assumed investment rate of return was decreased from 7.75 % to 7.50%
- λ The assumed rate of inflation was reduced from 3.50% to 3.25%
- λ The assumed rate of wage inflation was reduced from 1.00% to 0.75%
- λ Payroll growth assumption was reduced from 4.50% to 4.00%
- λ The mortality table used for active members is RP -2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 % for males and 30% for females).
- λ For healthy retired members and beneficiaries, the mortality table used is the RP -2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP -2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- λ The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

SUPPLEMENTARY
INFORMATION

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	SEEK CAPITAL OUTLAY <u>FUND</u>	FSPK <u>FUND</u>	DEBT SERVICE <u>FUNDS</u>	TOTAL NONMAJOR GOVERNMENTAL <u>FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes - current	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved	-	-	-	-
Designated	-	-	-	-
Capital Projects				
Debt Retirement	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	SEEK CAPITAL OUTLAY <u>FUND</u>	FSPK <u>FUND</u>	DEBT SERVICE <u>FUNDS</u>	TOTAL NONMAJOR GOVERNMENTAL <u>FUNDS</u>
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ 194,830	\$ -	\$ 194,830
Motor vehicle	-	-	-	-
Occupational	-	-	-	-
Earnings on investments	-	-	-	-
Intergovernmental - State	34,507	-	-	34,507
Intergovernmental - Indirect Federal	-	-	-	-
TOTAL REVENUES	<u>34,507</u>	<u>194,830</u>	<u>-</u>	<u>229,337</u>
EXPENDITURES				
Current:				
Debt service	-	-	229,337	229,337
Facilities acquisition and construction	-	-	-	-
Debt issuance costs	-	-	10,662	10,662
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>239,999</u>	<u>239,999</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>34,507</u>	<u>194,830</u>	<u>(239,999)</u>	<u>(10,662)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	-	-	161,000	161,000
Operating transfers in	-	-	229,337	229,337
Operating transfers out	(34,507)	(194,830)	(150,338)	(379,675)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,507)</u>	<u>(194,830)</u>	<u>239,999</u>	<u>10,662</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE, JULY 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.



Chestnut Centre
410 West Chestnut Street STE. 237
Louisville, KY 40202-2342

(502) 583-5381
(800) 456-7531
FAX (502) 582-2516

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Requirements* and *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anchorage Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose or expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anchorage Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anchorage Independent School District's internal control.

State Committee for School Districts
Members of the Board of Education of
Anchorage Independent School District

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we reported to management of the District in a separate letter dated October 16, 2017.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anchorage Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Requirements.

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Amick & Company

Louisville, Kentucky
October 16, 2017

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

Schedule of Prior Audit Findings

Prior Year Findings – None Reported

MANAGEMENT

LETTER

POINTS



Chestnut Centre
410 West Chestnut Street STE. 237
Louisville, KY 40202-2342

(502) 583-5381
(800) 456-7531
FAX (502) 582-2516

State Committee for School District Audits
Members of the Board of Education of
Anchorage Independent School District

In planning and performing our audit of the financial statements of Anchorage Independent School District for the year ended June 30, 2017, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes our comments and suggestions regarding internal controls and operating efficiency. A separate report dated October 16, 2017 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 16, 2017 on the financial statements of the Anchorage Independent School District.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Anchorage Independent School District.

Amick & Company

Louisville, Kentucky
October 16, 2017

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Management Letter Comments
For the Year Ended June 30, 2017

COMMENT 2017-1

JOURNAL ENTRIES

Condition

The school treasurer did not make the required journal entries for on behalf payments related to the School Food Service Fund.

Criteria

KDE requires the District to properly record On Behalf Payments related to payroll, technology, debt service and KISTA energy savings capital leases in MUNIS.

Recommendation

We recommend that the school treasurer review the AFR for all funds prior to submission to KDE to ensure all on behalf payments have been properly recorded.

Management's Response

Management will review the procedures used in preparing the final AFR with the school treasurer to ensure they are in compliance .

**ADDITIONAL
INFORMATION**

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

**Balance Sheet
School Activity Fund
June 30, 2017**

ASSETS

Cash and cash equivalents	\$ 60,847
Accounts receivable	<u>-</u>

TOTAL ASSETS	\$ <u>60,847</u>
---------------------	-------------------------

LIABILITIES AND FUND BALANCE

Accounts payable	\$ -
Fund balance	<u>60,847</u>

TOTAL LIABILITIES AND FUND BALANCE	\$ <u>60,847</u>
---	-------------------------

See independent auditors' report.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balances
School Activity Fund
For the Year Ended June 30, 2017

	<u>ANCHORAGE ELEMENTARY</u>
REVENUE	
School activities and projects	\$ 122,460
Athletic activities	<u>33,301</u>
TOTAL REVENUE	<u>155,761</u>
 EXPENDITURES	
School activities and projects	127,361
Athletic activities	<u>31,577</u>
TOTAL EXPENDITURES	<u>158,938</u>
 Excess (deficiency) of revenue over expenditures	 (3,177)
 FUND BALANCE - JULY 1, 2016	 <u>64,024</u>
 FUND BALANCE - JUNE 30, 2017	 <u>\$ 60,847</u>

See independent auditors' report.